

Food for the Hungry International Ethiopia



Title II Fiscal Year 2000 Results Report & Fiscal Year 2002 Resource Request (CSR4)

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I. Results Overview

Results

The following results refer to the purpose, objectives and activities proposed in FHI/Ethiopia's three years (1999-2002) Development Activity Proposal (DAP) that was approved by USAID. The DAP consisted of four major components including crop productivity and diversification, fodder production and natural resource management, community health and water, and capacity building of local institutions with the overall objective of restoring food security within targeted households. The report focuses on results achieved in FY2000 with comparison to the baseline data and achievements in FY'99.

Brief highlights of results and activities achieved in FY 2000 include the following:

Despite the drought that has been going on since 1998, survey results of November, 2000 have indicated considerable increase in yield of major crops. This is mainly because achievements of FY 2000 are measure against baseline information taken in August 1999 (which was pick of the draught situation). Achievements are not uniform. Significant variability is observed across the three project areas and among specific crop types. The result in appendix-A shows that Tach Gayint has performed better in percentage growth of yield in all main crops except Sorghum.

A general increase of by more than 25 % is registered in Teff and Potato while Barley has shown moderate yield increase except in Lay Gayint project area. The impact of the agricultural extension activities is observed to be minimal in cases where natural factors overplay the productivity of crops.

As opposed to R2-99, changes in income indicators (IR2) are significant and roughly comparable among all projects. Growing vegetables and eucalyptus trees have been consistently increasing in all projects in the last two years. Income from non-farm activities has shown moderately good rise in all areas, all other indicators of this category have increased slightly. The average number of livestock in Tropical live stock unit (TLU) has attained slightly less than target in all projects (*refer to appendix A*), this is mainly due to the prolonged dry spell that has extended in last year. Many households lost their livestock especially small ruminants thereby significantly reducing the number of livestock owned by families.

Results obtained in family planning are uniformly successful in all projects. The number of families who use modern family planning is consistently increasing in all the years. The target achievement rate in this regard is highest in lay Gayint followed by Tach Gayint and Simada. Although incremental changes are not very significant in this regard, one can see a positive trend towards using family planning techniques among targeted households. Similarly, the increasing access to safe and clean water has reduced water related disease prevalence.

The percentage of success achieved over targets is high in this respect. Access to protected well spring has increased by three folds in Lay Gayint and by nearly 80% over

target in Tach Gayint. A positive change in diarrhea control is also observed across all projects.

Annual plan and accomplishment report of projects also revealed that deworming of school children and vitamin A supplementation have been successfully carried out according to plan. According to the same source more than 31,000 school children were dewormed in the three projects. Vitamin A supplementation was effectively carried out for 17,500 children and over 3,000 lactating mother in Tach Gayint and Simada projects.

For reporting purposes, results for each of the above program components will be dealt with separately, although it is important to note that where possible FHI/Ethiopia integrates the components to maximize the impact on food security.

A.1 Discussion of Target Achievements.

Following the complete failure of the short season belg rain, the dry season has extended until late July of 1999. Worsening the situation, untimely and erratic rain occurred at the end of 1999 and at the beginning of 2000. This late and unexpected rain has created difficult situation for harvesting. Furthermore the situation in the year 2000 is also reported to be depressing. Though the belg rain has commenced in mid February the poor intensity and unfair distribution has not enabled most of the areas to produce enough. There it would be plausible to say that the success achieved in this year is mostly attributable to the lower targets set based on the 1999 base line (one of the poorest harvest period).

Another important issue raised in R2-99 was the Regional Government directive to distribute communal marginal and /or forestland to land less people. Although the new directive is likely to affect FHI/Ethiopia's plan to develop fodder production in the communal sites, its implementation is not yet put into effect. In FY 2000, FHI Ethiopia has been promoting animal fodder in the back yards of homesteads as well as in the collective grazing lands of neighborhoods.

It is now becoming common for FHI/Ethiopia and the other cooperative sponsors as well to face a short-term cash flow problem at the beginning of every fiscal year. The monetization process in FY 2000 was not smoothly due until the end of the first quarter. Most activities that were planned in the first quarter were transferred to the preceding quarters over crowding activities planned in the second and third quarter.

Indicator Targets.

The result of improved agricultural production (IR1) of the three project sites is illustrated in **appendix A**. Target achievements of yield in FY 2000 are roughly comparable with that of the FY99, however direct comparison of results in the two consecutive years is not possible because the targets for the two years are set based on two different base line information.

FY 2000 Targets are set based on base-line data collected in August 1999 while 1999 Targets were set on the basis of the 1996 base line data. This is because the base line data

collected in August 99 for the new phase DAP were not analyzed and used for R2 report of FY99.

Changes in yield per hectare vary across crop types and project areas. Teff and Potato have shown above target growth in all projects. Increase in the yield of Teff is high in Tach Gayint that is nearly 50% above the target or 227 kgs more followed by Lay Gayint and Simada whose achievements are 36% and 28% above target respectively. The other crop types have also shown significant variability across projects. Yield in Barley and wheat has shown moderate increase (below target) in Lay Gayint. Results achieved in these two crop types (increase in yield per hectare of Barley and wheat) are recorded as only 9 and 5 kilograms respectively compared to the base line (refer to *appendix A*). Results obtained in Tach Gayint are relatively encouraging. All crops except sorghum have shown increase in yield.

The increase in the yield per hectare of these crops except wheat is well above 30% compared to the target set for the year. Results in Simada are lower but of similar pattern with Tach Gayint. Yield in Sorghum was far below expectation. The rest, except wheat, have shown moderate rise compared to the base line and target value.

In general similar patterns are observed in yield per hectare and yield per household indicators. The over all production is very encouraging in Tach Gayint followed by Simada and Lay Gayint.

Separate analysis of the survey on the performance of households who are users and non-users of fertilizer and improved seed has also shown some variations across projects. During the year agricultural inputs such as fertilizers improved seeds and training were provided to farmers who were interested to apply these inputs on their fields. The survey results obtained for three major crops are summarized in the following table.

Table: yield per hectare of selected crops by groups of modern input users and non-users

		Wheat	Teff	Barley
Lay Gayint	Local Seed without fertilizer	443	395	510
	Local Seed with Fertilizer	400	778	385
	Improved seeds with Fertilizer	540	NA	400
Tach Gayint	Local Seed without fertilizer	520	648	794

		Wheat	Teff	Barley
	Local Seed with Fertilizer	810	520	NA
	Improved seeds with Fertilizer	942	1000	NA
Simada	Local Seed without fertilizer	551	400	379
	Local Seed with Fertilizer	638	581	531
	Improved seeds with Fertilizer	783	608	NA

According to the table above, there is a net increase in the yield of all crops (except Barely in Lay Gayint) when farmers apply both fertilizer and improved seed. However changes in these respects are still below expectation. In some instants such as in Lay Gayint, production of wheat without fertilizer appears to be better than with fertilizer. One reason for this could be reluctance of farmers to stick to recommended amount of fertilizers or thin application of the same due to fear of shouldering higher debt.

The general observations on the use of modern agricultural inputs, based on the survey are the following.

- The number of farmers who use both improved seed and fertilizer are very few, only 4.8% of the respondents.
- The increase in yield (due to application of modern input) is better in wheat than Teff and Barley in all projects.
- Results obtained in Tach Gayint are better both in terms of magnitude and number of users.

The proxy indicators for household's income are relatively well performing in FY 2000. Achievements of the impact indicators are well above 100 % on average in all projects. The increase in per-capita livestock ownership (in TLU) has shown sharp and uniform increase in all projects compared to FY 99 (*see App-A*). The incremental changes in this respect are still below targets set for the year .One can learn from this, that it takes many good years of farm households to rebuild the herds stock they lost in one bad year.

The other indicators such as Birr spent on kerosene have grown far above the target set for the year. Households began to spend an average of one Birr more in FY 2000 compared to the base line amount. An expenditure of this amount, at the face of galloping

fuel price, indicates how the income of farm households performing to catch up with inflationary situations.

There are no registered indicators in this category that have dropped significantly in the current fiscal year. Higher rates of increase are observed in the number of households who live under tin roofs, the amount of Birr spent on kerosene and mature eucalyptus per households.

The performances of the monitoring indicators show moderately high result in general. The extremes (in terms of higher success rate) in this group are growing vegetable and practicing irrigation. The change in the former is significantly high nearly 280 percent of the target on average. The latter has shown uniformly slight shortfall in Tach Gayint and Simada while it sharply declined in Lay Gayint. Non farm income of households is higher up to Birr 148.00 in Tach Gayint and lower in Simada only Birr 92.

Survey result of FHI Ethiopia in the current year again proved the consistency of growth in the number of modern family planning users in the three project areas. The pick result in this respect is attained in Lay Gayint, which is 236% of the target. Likewise the number of children /aged between 12-23/ fully immunized has increased by 129% of target in Lay Gayint, According to this survey more than a quarter of children in this area have been fully immunized. The coverage of the same is more in Tach Gayint but the percentage of target accomplishment is only 67%.

Access to protected water sources has tremendously improved in the current year. A total of 10 hand dug wells and 23 springs were constructed in the year have impacted significant population of the three projects. Accordingly nearly half of the population in these areas have access to protected water sources. Moreover the achievement in this regard has impacted both the amount of water used per household and the time spent on water fetching.

In relation to this, significant decline is marked in the prevalence of water born disease. The incidence of diarrhea among children of less than five years has dropped by more than 25% compared to the base line in all project. For instance the prevalence of reported diarrhea in Simada has dropped from 31.5% in the baseline to only 11 in the FY2000 monitoring survey.

The results achieved in increasing peoples access to potable water in South Gondar was particularly impressive. With the construction of 8 hand-dug wells and 4 springs in Tach Gayint, more than 1500 households are expected to have good access to clean and potable water. Hand dug well construction and spring protection work in Simada and Lay Gayint has also brought about significant change in the intensity of use and proximity to water sources.

Estimates at project level indicate that the final out come of these leads to distance reduced by an average of 30 minuets and an increased use of water by at least on jar (approximately 1 liter) per household per day.

Natural resource base maintenance indicators (IR4) have also shown improvements. A total of 450 hectare of communal land is reclaimed in Lay Gayint, Tach Gayint and Simada woredas where FHI/Ethiopia's soil conservation interventions are underway.

FHI/Ethiopia does not use USLE (Universal Soil loss Equation) to measure the extent of soil erosion in the target areas because of the technical problems related to the method. According to annual report of projects the number of farmers participated in soil conservation practices are 53,56 and 67 in Lay Gayint, Tach Gayint and Simada respectively. In FY 2000, 37 new communal sites were planted with fodder trees in the three project areas.

A.2 Changes in Key assumptions.

The key assumption for the crop productivity and diversification component were availability of adequate and timely rainfall, the continuation of existing government pricing and extension policy, strong cooperation and support from the ministry of Agriculture, the availability of improved seeds, and active participation of farmers.

Except few deviations most of the assumptions were fulfilled in FY2000. Cooperation with line government offices in general and Ministry of Agriculture in particular was successful. FHI Ethiopia has insured higher level of involvement from the staff of GO's that helps in streamlining its agricultural extension programs. The extension and pricing policies, farmers willingness and strive for new techniques and practices were at "citrus paribus".

The only marked deviation in this respect is supply shortage of improved grain varieties. The out come of this shortage is more vivid in declining number of farmers who use improved seed in the results assessment (*see Appendix A Simada*). The assumption that there will be favorable rain was partially fulfilled except that the rain that came late in October and November was untimely and damaging to crops such as Teff.

The long dry spell that has dominated the climate of FY99 has tremendously impacted the income of households. It has been challenging to significantly affect income indicators due to the persistent chronic food insecurity felt in south Gondar during most of the past year. The recurrent relief situations have demanded households to invest virtually all of their resources in procuring food to sustain the lives of family members.

In the health component, non of the assumptions were relaxed in FY2000. Strong cooperation and favorable policy making was smoothly secured from ministry of health, participation of women and children in health programs and their willingness to adopt health practices were up to the expectations of FHI Ethiopia.

In fodder production and Natural resource management, the promotion of land use rights by farmers, community willingness to adopt the cut and carry method, and the development of community organizations to manage and distribute fodder were the major assumptions held at the inception of the project.

The change in Regional Government policy to distribute communal marginal lands is a shift in the right direction to reward individuals who cultivate these lands. With the

exception of people's willingness to adapt a cut and carry system, which is being promisingly induced in some areas, all other assumptions have been realized.

A.3 Partners feedback to FHI Ethiopia Program

In FY 2000 FHI Ethiopia has hosted a number of group and individual visitors. Among these only few were in official business with the organization. Unlike the preceding year USAID mission has made a one time working visits. During this visit, program activities were reviewed and important weaknesses identified.

A group of Government officials from zonal and woreda line departments have also made official visit to FHI Ethiopia South Gondar projects. After an extensive field visit and discussion with concerned project staff they appreciated the on going irrigation and water programs. In addition the team suggested that FHI Ethiopia should emphasize on broad-based low cost and sustainable schemes such as foot pumps, treadle pumps, ram and diesel pumps. Taking note of these comments, FHI Ethiopia has revised its FY 2000 program activities and cancelled some of the costly and unsustainable pipeline activities.

Among major feedback's coming from community groups, one was a group of animal fodder producers/users in Lay Gayint. The group revealed that they had suspicion and anxiety in that they can not exercise full access and exclusion right in the communal sites where they currently produce fodder. But mean while they realized that they have secured their right and learned to manage collective interests in such a way that it wouldn't hurt individual members. They also gave their appreciation to the project staff of FHI Ethiopia that introduced fodder production.

A.4. Inter-sectoral Partnering and Changes in institutional Framework on program management.

FHI Ethiopia's inter-sectoral partnering with major stakeholders refers to its relation with government, community and other NGO's.

The inter-sectoral partnering with the government has positively influenced our program management through out the year. Since 1997, the relationships between FHI/E's South Gondar projects and government line offices have shown improvement. During the year, project activities were planned and implemented in close consultation and collaboration with line departments. Similarly, the relationship with the communities and other NGO's has been strong through out the year.

With regard to areas of Co-operation, FHI Ethiopia staff and woreda office experts of line departments (mainly Agriculture and health) have been working closely through out FY 2000. Higher officials of woreda and zone council, even though they were uncomfortable about the delay in monetization and hence implementation of activities, they were very keen to cooperate with FHI/E.

Likewise, our relationship with other operational NGO's in the area, has been growing smooth and in harmony with the general objective of ensuring food security. A zonal level NGO forum, organized by Disaster Prevention and Preparedness Commission

(DPPC), has been in effect through out the year. The forum reviews and comments on quarterly programs planed by individual NGO's.

With regard to communities FHI Ethiopia introduced wealth-ranking technique to select beneficiaries for its food for work programs. Initially this technique has faced a lot of opposition from different groups of the community. Latter on when FHI involved local district leaders, in close consultation with woreda officials the reservations were lifted and the approach became most welcomed among community members.

B. Monitoring and evaluation, audits and studies

B.1 FY2000 monitoring system update

The USAID Ethiopia mission in collaboration with the 11 cooperating sponsors developed a monitoring and evaluation system for title II programs. This system has been the basis of reporting since its establishment in 1996. Base line indicators for agricultural productivity, income, natural resource management, health and access to water supply and sanitation indicators were collected in August 1999.

The analysis and subsequent use of these indicators for last year's result report was not successful. Instead the last year's annual result was measured and compared against the base-line data collected in 1996 and 1997. The result report presented here is compiled after analysis has been made both on the baseline data collected in August 1999 and monitoring survey conducted in November 2000.

The baseline data collected in August 1999 was necessitated for two major reasons. The first was simply because DAP (1999- 2001) is a new phase agreement signed between USAID and FHI/Ethiopia and hence it needs base line information to base targets and measure subsequent achievements. The second reason is to revise the selection of intervention area (i.e. to include new targets and exclude others, which at the moment are better off in terms of achieving DAP objects and targets). Therefore the targets for FY 2001 indicated in this report, are based on findings of the 1999 base line survey and selected intermediate results set at the beginning of the fiscal year (*refer to PAA 2001*).

As usual, a household survey was conducted in November 2000 to assess the results obtained during the fiscal year. A total of 703 households were interviewed in Lay Gayint, Tach Gayint, and Simada Woredas where FHI/E is currently operating. Essentially, the same questionnaire designed last year was employed to solicit data. The Monitoring and Reporting Officer and field supervisors trained enumerators. To guarantee high quality data, heads of community empowerment component were assigned to supervise the work of enumerators. The data collected this way was reviewed at the project level and sent to the Head Office for further analysis. The analysis at the Head Office was made using SPSS software. The results of the analysis are presented in Appendix A.

Since FY 99, there has been a shift in FHI/E's monitoring of project activities. During the 1996-1998 period, more emphasis was given to the role of Addis Ababa based Technical Coordinators to monitor programs regularly by travelling from the Head Office to the

project sites. However, FHI/E has learnt that more emphasis should be placed to close monitoring of activities by field level staff and technical supervisors assigned at the Regional Level. This change was intended to ease timely follow up of activities and take corrective measures as quickly as possible.

To this end, much of the monitoring and evaluation work was focused on enhancing the knowledge and skills of field staff to monitor and evaluate activities. Basic training was given to program supervisors in concepts, and methods of data collection and analysis, and reporting.

B.2. Audits and Studies

FHI/Ethiopia had one audit in FY99. Getachew Kassaye Audit Firm whose FY 99 findings are attached at the end (*refer appendix-D*), conducted this audit. According to the findings FHI/Ethiopia has no outstanding observations that need immediate correction.

C.1. Expenditure Report

FHI/Ethiopia's financial performance in FY 00 reflects and is consistent with the level of cash flow made available to the organization through the Monetization Project. For the reasons indicated above, the level of cash inflow during the year was inadequate to implement most of the activities planned.

FHI/Ethiopia had to catch up with the implementation of its program activities by borrowing money from other sources.

A summary of financial report by Title II activity (*attached as Appendix B1*) shows that expenditures to cover costs related community health and water which accounted for 21% of the total expenses in FY 2000. Of the total expenditures made in this component the highest percentage (i.e., 45%) went to construction of health posts at different projects, purchase of medical equipment and drugs for the health posts and ministry of health.

Schools maintenance purchase of furniture for schools were also considerable in this expense. Travel related expenses (public transportation, meals and per diems, etc.) to activity sites and outside the project area for coordination and purchase accounted for the 11%). Expenses for personnel and for training of farmers comes third and fourth with 10% and 5% respectively.

The second area of focus (in terms of financial performance) during FY 2000 has been on ORDA's sub-grantee capacity building. Under this program the construction of irrigation dams, road maintenance and community empowerment were the main activities of focus.

Purchase of equipment for irrigation dams and furniture for the newly established office, purchase of field equipment and material supplies constitute 52% of the total expense of ORDA during the year.

Expenses made for Fodder Production and Natural Resources Maintenance accounted for the third of the total expenditures. With a total expenditure amounting to US\$345,445 for

various activities including, purchase of materials such as gabion wire, tree seeds, nursery supplies, and polyphone tubes

C.2. FY 2000 Monetization Pipeline Analysis

Appendix B3 shows that the beginning balance for FY 1999 was a deficit of US\$122,593. During the year a total of US\$1,258,766 was collected from the sale of vegetable oil and wheat. (Please refer to section A above for details). This makes the total available fund from monetization to US\$1,136,173. In comparison to the total expenditures made during the year that amounted to US\$1,537,195, the available cash was less by US\$401,022. This money was covered with the money borrowed from the monetization consortium and other sources and replacement was not made until the end of December 2000.

C.3. FY 2000 Commodity Pipeline Analysis

At the beginning of FY 2000 FHI/Ethiopia had 2,069.30 MT of wheat and 126.98 MT of vegetable oil carried over from the previous year. During the year, FHI/Ethiopia made a call forward for 1,940 MT of wheat.

Until the end of FY 2000, we have received 3080MT of wheat and 87.10MT of vegetable oil from FY 1999 call forward. We have also received 1,937.60MT of wheat from FY 2000 call forward and 5448MT of wheat which was diverted from FY 2000 Monetization program to emergency relief through CRS. A total of 4805.36 MT of wheat and 134.79 MT of oil was distributed to 86,035 and 64,265 people who were engaged in food-for-work activities and emergency relief program respectively.

Appendix E shows the commodity status and recipient status reports for FY 2000 and for the fourth quarter of FY 2000. According to these reports, there was a reported loss, of 149.33MT of wheat and 0.62MT of vegetable oil, due to infestation during ocean freight and oil leakage during transit.

FHI/Ethiopia has also provided to SCF/USA 250 MT of wheat and they returned back 187.20MT of wheat before September 30, 2000 and the rest 62.80MT of wheat in October 2000. The South Gondar DPPC has returned 1.60 MT of wheat it borrowed from FHI/Ethiopia and We repaid 3283.20MT of wheat to Emergency Food Security Reserve Administration (EFSRA) for the FY 1999 loan.

C.4. 202(e) Grant

FHI/Ethiopia uses 202(e) Grant budget mainly to finance the purchase of vehicles for project use and cover travel costs related with the implementation of Title II USAID program. In FY 2000, FHI/Ethiopia purchased three vehicles (three Toyota Pick-Ups to facilitate travels to new satellite camps). Including payments to the local dealer, the cost of vehicles accounted for 48% of the total 202(e) Grant expended in FY 2000.

International travel by the Country Director and his family, workshop attendants in Washington required US\$ 7,022.59. Addis Ababa Office allocation amounted to US\$

21,907 which accounted for 13% of the total expenditure. *(Please refer to Appendix B2 for detailed expenditures).*

FHI/Ethiopia contracted the service of Mr. Thomas P. Davis an International health consultant to work on base line data analysis and narrative in South Gondar. FHI/Ethiopia paid out a total amount of US\$1,150 for his consultancy services. During the reporting period, FHI/Ethiopia purchased some development books as well as subscribed to different magazines that help to upgrade the knowledge of staff personnel.

As a direct result of buying the vehicles, it was made possible to make frequent travels to the far corners of the target population thereby addressing the needs of many of the households. The trips to these parts of the project areas have enabled to conduct baseline surveys, wealth ranking exercise and assess the impact of development interventions. The exercise of wealth ranking has particularly made targeting of households for different interventions easier.

The books and magazines were being circulated among key management and project staff to widen the scope of understanding and keep abreast with changing situations in the development circle. Books distributed to individuals were collected with a summary of the main findings, comments and suggestions. Once in every month key management staff were required to make a presentation on the content of the books and lessons learned or new approaches that could be applied in the project area or in everyday life. This way greater interaction among staff was facilitated together with staff reflection and internalization of the experiences of others.

Variance Explanation

Monetization Commodity for FY2000 could not be realized in the market as expected. Out of the total approved Monetization budget of Birr 20,042,571 for FY2000, only Birr 10,272,298.94 was collected from the proceeds of Monetization commodity up to September 2000.

The management of FHI/E therefore decided to cancel the new project program involving cash budget of Birr 1,579,406.

The management also tried to find ways to secure loan from other sources to bridge the cash flow gap and temporarily finance Title II program expenses. This resulted in budget utilization of Birr 17,526,344 including Birr 4,917,276 value of commodity diverted and used for relief distribution. We believe that this is good performance relative to the money made available for use.

In summary, the cash flow problem we encountered had significant impact on our operation as well as our finance during the year resulting in under utilization of budget.

D. Monetization Sales

Details of monetization sales, total amount collected, and sales methods will be given by CARE/Ethiopia, which is a lead agency for monetization in Ethiopia. In this section FHI/Ethiopia presents a short summary of the total proceeds it collected from

CARE/Ethiopia. The dates and tenders from which these proceeds were collected are also given in the table.

**FHI/Ethiopia - Monetization Income Received from
October'99 to September'00**

Date	Tender #	Amount Birr	Amount US\$	Remark
18/10/99	22	278,310	34,262	
25/10/99	-	740,151	91,118	Wheat Sales(1000mt)
27/10/99	23	1,480,082	182,209	
26/11/99	23	129,349	15,912	
15/12/99	-	1,691,875	208,000	Wheat Sales(2300mt)
22/12/99	24	1,031,477	126,811	
29/02/00	-	1,030,788	126,430	Wheat Sales(2300mt)
1/3/00	25	777,565	95,208	
5/4/00	26	940,193	114,868	
19/06/00	27	1,120,437	136,273	
17/07/00	27	302,400	36,717	
2/8/00	28	220,829	26,793	
28/08/00	29	528,843	64,164	
Total		10,272,299	1,258,766	

The above table shows that FHI/Ethiopia received a total of US\$1,258,766 in 13 installments. The highest amount of cash was collected in December 1999 amounting to US\$208,000.

All sales of vegetable oil were made in country through tenders. The prices for the wheat and oil were well over the benchmark. During the current year, the oil imported by private traders has crowded the market making monetization oil sales very difficult.

II. Resource Request

FHI/Ethiopia has implemented a four-year Development Activity Proposal (FY 1999 – 2002), including the approved PAA extension for FY 2002, with the United States Agency for International Development (USAID) under the current PL 480 Title II Program. The main objective of the program has been to enhance household food security in targeted woredas of South Gondar and North Wello Zones of the Amhara National Regional State. Three woredas in South Gondar (Lay Gayint, Simada and Tach Gayint) and Gubalafto woreda in North Wello were selected for program interventions. The total target population of the four projects is 274,565. The DAP activities are agriculture/crop production and diversification, fodder production and natural resource management, community health care, water supply and sanitation, small scale irrigation development, primary education support, and community organization that aim at restoring food security among the people. With the approved PAA extension for FY 2002, FHI/Ethiopia is entering the final year of DAP implementation.

The program results demonstrated on the lives of the target communities will be strengthened in the FY 2002. Furthermore, it will be a year of consolidating achievements and results that have been demonstrated during the operational years of the DAP and previous rehabilitation years. All of the development partners will work closely together in implementing phase-out strategies and handing over all the assets created during the operational years.

In general, resources requested for the four projects has reduced compared to the previous DAP years because FY 2002 will be a year of phasing-out and consolidating project returns instead of implementing and constructing new activities. 1,790 MT of commodity for regular FFW distribution, 5,428 MT of commodity for monetization, and US\$ [260,697](#) for 202 (e) has been requested. The request includes resources (in terms of monetization and 202 (e)) required for phase-in and new projects design processes which should be undertaken during the same year.

A.1. Program Request Summaries

The total resource request over the DAP period (1999-2002) is 25,194 MT of food (14,536 MT of wheat and vegetable oil for regular food distribution and 10,658 MT vegetable oil for monetization). (Please refer to appendix C2 – LOA Summary Request). The total approved request for the FY 2002 was 6,427 MT of commodities (3,668 MT of wheat and vegetable oil for regular FFW distribution and 2,759 MT of vegetable oil for monetization). However, the total request for FY 2002 ([Appendix C2](#)) is adjusted to 7,217 MT of commodities (1790 MT of wheat and vegetable oil for regular food distribution and 5,428 MT of wheat and vegetable oil for monetization). The physical quantity requested is higher compared to the previously approved quantity. However, in terms of value the dollar equivalent of the previously approved monetization budget is US\$ 3,630,009 (including transport and head office overhead costs) whereas the value of the request is US\$ 1,482,231 (less by 59%). (Please refer appendix C3 – Comprehensive Budget). The request for the regular food distribution has also been reduced by 51%. The price for commodities to be monetized is estimated at \$132/MT for wheat and

\$950/MT for vegetable oil as per the consensus reached among the CSs. The significant deviation from the approved DAP is mainly attributed to phase-out process that requires strengthening of past achievements instead of implementing new activities. It would allow partners to intensively work on the phase-out activities and ensuring sustainability of program returns.

In terms of allocation by program component ([Appendix C1](#)), the highest (32%) of the FY 2002 budget request goes to agriculture/crop production and diversification component while the least (8%) goes to primary education support.

A.2 Program Focus and Interventions

The overall strategic objective of the DAP is “Sustainable Improvement of Household Food Security in FHI/E Target Areas”. The intermediate results that contribute to the strategic objective are: increased agricultural production; increased household income; improved health status of the target households and natural resource management. In order to contribute to the strategic objective and achieve the intermediate results it was planned to implement components such as agriculture/crop production and diversification, environmental rehabilitation/fodder production and natural resources management, community health and water and capacity building of local institutions. The FY 2002 program will focus on similar components with the additions of education support and community organization and capacity (empowerment). Unlike in the DAP proposal, community health, and water and sanitation programs are treated as a separate components. Irrigation and education are considered as separate components for the three south Gonder projects and ORDA/Guba Lafto project respectively. Despite the ways components are organized, the major focuses are similar to those indicated in the DAP proposal. The major activities that will be implemented in FY 2002 are described under the following components:

1. Agriculture/Crop Production and Diversification

The major objective of the program is to increase agricultural production (food availability) and productivity by way of introducing productivity increasing farming methods and by supporting farmers to have access to agricultural inputs. In FY 2002, as part of supporting the existing extension program, farmers will be trained in agronomic practices, horticultural development, irrigation management, poultry production, bee keeping, forage development and integrated pest management. Experience sharing tours will also be complemented to upgrade the skills of farmers and adoption rates of improved farming technologies. Farm inputs (fertilizer, cereal and vegetable seeds, root crops) will be purchased and distributed to farmers through a revolving credit system, which managed by service cooperatives. Poultry units (cockerels and pullets) and apiculture tools will be distributed to resource needy farmers. In addition, farmers workshop will be organized by South Gonder projects to discuss and draw strategies on how agricultural gains/returns will be sustained beyond the project phase-out (end of September 2002).

The activities will be implemented in collaboration with woreda (district) Agriculture Office, service cooperatives and community representatives.

2. Fodder Production and Natural Resources Management

Increasing the availability of animal fodder and enhancing the capacity of the target community to conserve and manage the natural resources is the main objective of the program. It intended to be achieved by providing fodder seeds, training farmers in improved fodder production and management practices and natural resources management, implementing physical and biological soil and conservation practices on farmlands and communal areas. In FY 2002, activities such as farmers training in soil and water conservation, forest management/development, nursery management and fodder production and management, provision of fodder and tree seeds and nursery tools and materials, training of government and project development agents/facilitators in fodder production and natural resources management will be implemented. For South Gonder projects, a workshop will be organized to discuss on how individual and communal assets created (nurseries, plantations and conservation sites) will be managed and used sustainably.

3. Community Health

The objective of the health program is to improve the health status of the target community by implementing public health activities and building the capacity government health institutions. Training such as refresher courses, integrated MCH program and nutrition will be provided to community health workers. Essential drugs will also be purchased and provided to woreda health institutions (clinics and health posts) to increase their capacity to provide health services to the target community.

4. Water and Sanitation

Improving the availability of safe potable water is the main objective of the component. The focus of the FY 2002 will be doing the maintenance of hand-dug wells and capped springs as part of the phase-out activities. Few hand-dug wells will be constructed and springs will be capped for needy community where the potential is available. Water and Sanitation committees will be strengthened through training and technical support in order to build their capacity to sustain the constructed water schemes. The necessary spare parts and operating tools will also be provided to the watsan committees. A phase-out strategy development and implementation workshop will be conducted to strengthen the capacity of the community to sustain water schemes beyond the phase-out of the projects as well.

5. Small Scale Irrigation

For the last three years of DAP operation, small scale irrigation schemes have been constructed to improve household food security by increasing crop production (food availability). During the FY 2002, schemes under construction will be finalized. All the schemes will also be handed over to communities. In Guba Lafto project, one small scale will be constructed as the upcoming DAP phase will continue in the same area.

6. Community Organization and Capacity Building

The objective of the program is to organize and build the capacity of the target communities to enable them manage their own development. In FY 2002, due attention will be paid to building the capacity of the community to enable them take over projects/activities and sustain when the project is phased out. Series of phase-out strategy development and implementations workshops and community discussions and interfaces will be conducted to strengthen the capacity of the community. A participatory assessment will be conducted to check that handed over activities/schemes are providing services to the target community and to make the necessary corrections before the total phase-out. Formal end evaluation will be conducted to assess social and economic impacts of the project.

7. Primary Education

The primary objective of the education support is build the capacity of the woreda education office and increase enrollment rate by constructing and rehabilitating primary schools. In FY 2002, primary schools will be rehabilitated in all the projects.

B. Activity Resource Requirements

1. Financial Plan

1.a. Comprehensive Budget

FHI/Ethiopia will continue to implement integrated food security programs in South Gondar and North Wello Zones of the Amhara National Regional State in FY 2002. In addition to the four projects, FHI/Ethiopia plans to start a phase-in process with identification operational area and project design in Amhara region. A budget has also been allocated to undertake project studies/design and baseline surveys and facilitate for phase-in process.

The FY 2002 approved DAP proposal shows a total monetization budget ([Appendix C3](#)) of US\$ 3,630,009 (including NICRA and transport and warehouse costs). The request is

1,482,231 (less by 59%). The changes by line item range from 16% to 72% less than the DAP proposal figures. This is because of the phase-out process that will significantly reduce the program size. New constructions that would extend beyond 2002 and thus further extend the phase-out have not been planned.

The major assumptions made while preparing the resource request are:

- It is assumed that there will be a 10% increase in the cost of living and salaries and benefits are adjusted with this assumption. If there would be inflationary situations arising from currency fluctuation or major devaluation, the cost of living will certainly go up thereby requiring further adjustment.
- The price of goods and services will rise by a small margin. Particularly, the current prices of construction materials, supplies and equipment are assumed to increase by 5-10%.
- An average exchange rate of Eth. Birr 8.2 for a dollar was assumed throughout FY 2002. The determination of the exchange rate is based by taking the pattern of past exchange rate fluctuations in Ethiopia.
- It is anticipated that wheat and oil will be monetized in FY 2002. Other food items including rice and wheat flour might be exported for sale in Djibouti if the Bellmon Analysis indicates that the selling of wheat and oil might have a disincentive effect in Ethiopia or generate less income by being sold in Ethiopia.
- The selling price of oil is at an average of US\$ 950 per MT considering past trends. On the other hand, the selling price of wheat will be US\$132 per MT.
- The quantity of commodities for monetization is determined by taking a 60%: 40% ratio for oil and wheat respectively.
- Imported commodities for distribution are assumed to come through a bill of lading arrangement in which case FHI/Ethiopia will only be required to keep a budget for transportation and monitoring of commodities from the primary warehouse to the distribution site.

The comprehensive budget (appendix C3) shows a total budget request of US\$1,756,623 for FY 2002. Out of this, nearly 85% is to be generated from monetization of oil and wheat and the remaining 15% from section 202(e) grant. Compared to the approved level (DAP proposal), the budget for monetization decreased by 42% and Section 202(e) Grant reduced by 5% and proceeds from sale of empty containers by 57%. The discrepancy in the exchange rate used in budgeting the DAP and the current resource request has also contributed the changes in monetization budget in addition to the overall shrinking of the program size because of the phase-out process. At the time of DAP preparation, an average exchange rate of Birr 6.94 to the dollar was taken throughout the DAP years. Since then the exchange rate has consistently risen. In FY 2002 it is expected to reach Birr 8.2 to the dollar, thereby pushing the difference to 18%. Despite the decreasing value (devaluation) of Birr, the prices of goods and services have not increased significantly as expected. Moreover, FHI/E is critically looking at its current organizational structure to improve its organizational efficiency and effectiveness. At the preparation of this resource request, project organizational structure has been modified in

order to increase staff efficiency of working with partners. Consequently, the three South Gonder projects staff size has reduced by 10 to 15%. This has also reduced overhead costs compared to that of FY 2001 and the previously approved level. Careful planning was also conducted based on current realities and activities required in the FY 2002.

The comprehensive budget (appendix C3) shows that considerable budget decrease is made on personnel, travel, project supplies and commodity transport line items by 55%, 66%, 135% and 151% respectively in line with the DAP budget. The new line item of new project design (phase-in process) has been added as two new projects will be designed and one project (ORDA/Guba Lafto) will be redesigned. The total budget for new project (re) design (appendix 13) is estimated at US\$ 231,379 (78% from monetization and the rest 22% from 202 (e) grant). The largest portion of the budget (86% of the monetization part) will be utilized for projects (re) design, baseline surveys and staff capacity building. Out of the total US\$ 180,829 monetization budget for the phase-in process, 63% is earmarked for ORDA as two projects will be designed and redesigned. It also includes capacity building for ORDA. The 202 (e) section will meet consultancy needs for program design and capacity building.

The sale of empty containers and using the proceeds to support Title II Program has been an integral part of FHI/Ethiopia's budgeting and programming since 1998. Similarly, in FY 2002, 1,721 MT of wheat and 72 MT of vegetable oil (appendix C11) will be distributed through the regular program. FHI/Ethiopia will sell each bag and the plastic Jerry can for Birr 1. The proceeds from the empty containers will be utilized to implement project activities (purchase of supplies for community).

1.b. FY 2002 Section 202 (e) Request

FHI/Ethiopia plans to use Section 202(e) Grant for the support of PL. 480 Title II Program activities. The budget requested for FY 2002 (appendix C3 & C4) would cover the salary and benefits of the Country Director, provide consultancy services and purchase vehicles for use in project areas, and cover travel costs. A total budget of US\$ [260,697](#) is requested for FY 2002. Compared to the approved level, the requested budget is less by 5%.

1. **Salaries/Fringes/Benefits** – FHI/Ethiopia gets more than 90% of its budget from USAID assisted Title II Program. The management and support of projects funded by USAID has been the major responsibility of the Country Director and support staff. Here, it is assumed that 80% of the Country Director's time will be used for the management of Title II Program activities while the rest 20 % is spent on non-USAID projects. Accordingly, 80% of the Country Director's salary and benefit is budgeted to be covered from the 202(e) grant.
2. **Consultants/Technical Assistance** - In FY 2002, FHI/Ethiopia plans to procure the consultancy services in areas of programming. As FHI/Ethiopia is going to phase-out

from South Gonder projects and phase-in in other two sites (one directly by FHI/E and the other through ORDA) and redesign of ORDA/Guba Lafto project, the need for capacity building in the area of programming for the FHI/E and ORDA staff is quite important. In relation to overall direction to diversify funding sources, the capacity building for the FHI/E staff is critically needed. Thus, a consultant will be hired to conduct training on programming (project planning, monitoring and evaluation, etc) and to facilitate the design of new projects and the redesign of Guba Lafto project.

3. **International Travel** - The budget for travel and related expenses reflects anticipated trips from and to abroad. Consultants who will be carrying out the training and project design is to come from the United States of America and FHI/Ethiopia will cover travel costs.

FHI/Ethiopia plans to send two participants from Programs Department to attend training on programming (project planning, monitoring and evaluation, etc). Two more staff will also be travelling to one of the FHI field offices in Africa or Asia for an experience sharing and visit to the successful project sites. A field office that has been successful in community organization and program management will be selected and visited. The experience sharing visit will be an asset to the national office to build its capacity in the areas of program management.

4. **Supplies/Materials** - Books and videos will be purchased and distributed to all projects and maintained at the head office. Head office and project staff need to be aware of the new developments and systems of community organization, improved practices in the field of rural development, food security, nutrition, gender, etc. In so doing, FHI/Ethiopia will supply the staff with adequate reading and audio-visual materials and initiate discussion among the staff. Development books, materials, videos worth US\$3,000 will be purchased in FY 2002.
5. **Equipment** – FHI/Ethiopia planned to replace one vehicle for South Gonder project and one vehicle for head office. The vehicle for South Gonder will also be transferred to the new project that FHI/E will be phasing in. The head office Programs Department needs a replacement for one old vehicle. The vehicle is also necessary as frequent travels will be made during the new program design of two projects and redesign of ORDA Guba Lafto project.
6. **Allocated Indirect Expenses** – FHI/Ethiopia follows an accounting system whereby all Addis Ababa expenses are prorated and shared by all program components including the Section 202 (e) grant. The administration and management of the 202(e) grant, as all other grants, requires Addis staff time and effort. Staff in Finance and Programs are involved in the planning, decision-making, and follow up of this grant. Thus, costs have been shared for the indirect costs of Addis staff.

7. **Head Office Over Head/NICRA** – In a similar way, FH Head Office in Arizona maintains a system of prorating its expenses to the Field Offices. The 9.17% share is maintained for the Arizona staff.

1.c. Monetization Pipeline Analysis

In-country monetization has been constrained by restrictive government regulations and market conditions. As a result, CSs have frequently faced cash inflow problems and this in turn affected program impact. In November 2000, a consultant for the EMC conducted a feasibility study on third country monetization. The study came up with a possibility of monetizing commodities in Djibouti and Somali Land. If well coordinated and implemented, the third country monetization may relieve CSs from the current cash flow problems.

A Bellmon Analysis (for monetization in Ethiopia) is expected to be coordinated by the EMC/Monetization Unit and submitted to USAID. In general, the emergency situation in the country dictates food needs and monetization may not affect the national and local production capacities and have disincentive effect on crop prices.

FHI/Ethiopia has involved in relief operation in South Gonder projects beginning from July 2000 and will continue to involve with JEOP from January to June 2001. After termination of the JEOP, FHI/E may continue channeling relief resources from other sources. Adequate staffs have been employed to screen beneficiaries, distribute food and coordinate with local government offices. Given the overwhelming need for relief intervention, the distribution of food will enable the people of South Gondar to survive through the famine months. FHI/Ethiopia will facilitate the synergy of both relief and regular programs for maximum impact.

1.d. Section 202(e) US Dollar Pipeline Analysis

The opening balance for FY 2001 was a loss (negative) of \$10,815. USAID has approved \$183,571 for FY 2001. Out of the approved budget, FHI/E has expended a total of \$11,235 as November 30, 2000. The balance of \$161,521 will be utilized in FY 2001 and the closing balance of FY 2001 or the opening balance for FY 2002 will remain zero. Please refer to [Appendix C7](#) for detail.

1.e. Monetization Proceeds

The monetization proceeds projected ([Appendix C9](#)– FY 01 Monetization Proceeds) is calculated based on the oil sales plan drawn by Monetization Unit/CARE and wheat sales plan that projected based on experience and the prevailing market condition. Current market prices¹ are used to project anticipated revenues. Costs of the monetization are estimated at 30% of the gross revenue.

¹ Wheat and vegetable oil prices are assumed at Birr 1,082/MT and Birr 6,970/MT respectively. Exchange rate US\$1=Birr 8.2

The FY 2001 total projected cash needs (Appendix C3) is Birr 12,154,297 (\$1,482,231) whereas the projected monetization proceeds is stood at Birr 11,604,429 (\$1,415,174), which is less by about 5% compared to the cash needs. Since the market for commodities monetization is unreliable and prices are fluctuating in line with agricultural and cultural² seasons, lower prices are assumed based on past monetization experiences. Prices and demand fluctuations will thus affect the cash flow pattern or the amount of revenues of CSs especially who are highly dependent on USAID funding source like FHI/Ethiopia.

As the reality was considerably deviated from the original monetization plan, a contingency plan needs to be drawn. FHI/Ethiopia suggests two options: (1) USAID needs to allocate cash funding as a matching to the monetization program. This option will relieve CSs from cash flow problems by bridging the gap when monetization sales are delayed due to market conditions; or (2) USAID needs to establish a **“fund pool”** where CSs can borrow money when the cash flow from monetization gets caught up. The borrowing CS can pay back the money when proceeds from monetization is received (or transactions can be made between USAID and Monetization Unit). Either of the options or others as may be suggested by CSs need to be looked at critically for the program to achieve its set goal and objectives.

2. Commodities

2.a. Annual Estimates of Requirements (AER)

The total approved request for the FY 2002 was 6,427 MT of commodity (3,668 MT of wheat and vegetable oil for regular FFW distribution and 2,759 MT of vegetable oil for monetization). However, the total request ([Appendix C10](#)) for FY 2002 is adjusted to 7,217 MT of commodity (1,790 MT of wheat and vegetable oil for regular food distribution and 5,428 MT of wheat and vegetable oil for monetization). The physical quantity requested is higher compared to the previously approved quantity. FHI/Ethiopia requests USAID to make available a total of 6,436.67 MT of wheat and 1,054.75 MT of oil for both regular distribution and monetization. (Please refer to discrepancy analysis under Program Summaries first paragraph). The quantities (4,716 MT of wheat 883 MT of oil) for monetization has been determined 60:40% ratio for oil and wheat respectively. 1,721 MT of wheat and 72 MT of oil will be distributed to the beneficiaries in the four projects.

2.b. Commodity Procurement Schedule

Participants in the regular program are required to contribute labour in exchange for the food they are getting. Activities in soil conservation, reforestation, micro-irrigation and road construction will be implemented through the food-for-work program, which usually extends for three months every year. The launching of food-for-work programs and distribution of commodities strictly follow the season when the people are experiencing

² Prices (especially oil) are rise only during the periods such as Christian and Moslim fasting (over three months) and other celebrations. Demand for oil increases during these occasions.

food shortage. In addition, the prior implementation of government program that involves free contribution of labour must be given due emphasis before the launching of any food-for-work activities.

FHI/Ethiopia plans to make a one time and early call forward for the regular food distribution program in FY 2002. Approved commodities for FY 2001 will fully be utilized by the end of the fiscal year. Given the current emergency in the country and limited opportunity for borrowing from the Ethiopian Food Security Reserve Administration, FHI/Ethiopia anticipates that all required commodities will be imported before March 2002. The phase-out process also requires timely completion of all planned activities as well as disengagement from South Gondar. As can be seen from the Commodity Requirement Worksheet ([Appendix C11](#)) an October call forward is anticipated for delivery in January.

Commodities for the regular distribution will be transported to the four project areas. FHI/Ethiopia maintains a regional warehouse at Nefas Mewcha with a combined capacity of 3,000 MT. Short haul trucks will then transport the share of each project to warehouses located within the project areas. FHI/Ethiopia hires freight transporter for the movement of food from the primary warehouse in Kombolcha to Nefas Mewcha and to the different project sites. The cost of transportation from Djibouti to Kombolcha will be covered by a Payment Authorization approved for Inland Freight by FFP/BHR/POD.

The right beneficiaries will be screened using participatory approaches (wealth ranking) by involving the target communities and local government offices. The distribution of commodities to participants in food-for-work program is made after verification of participation (through attendance sheets) and checking of the quality of work by supervisors. FFW supervisors and project foresters or conservationists, in consultation with the local Department of Agriculture and community members, usually plan the appropriate structures to be constructed using community labor. Once this was decided, execution of plan commences by selecting households who are food insecure.

FHI/Ethiopia has developed an efficient system of targeting food insecure households. Project staff have gone through an extensive process of Participatory Rural Assessment (PRA) in which each household is categorized according its wealth. This process has unambiguously established a system whereby poor households get a chance to participate in the food-for-work program. Through a rolling system of targeting, the poorest households get the first chance to work and get food support. The poor will be targeted second and so on until all vulnerable groups participate and receive food assistance.

Each participant in the FFW program receives 3 kg of wheat and 0.12 kg of oil in exchange for the daily contribution of labour. Participants are allowed to work 17 days in the FFW activities at a time. Wheat and oil are still the preferred food commodities in South Gondar. On the other hand, supervisors get double this ration, as their responsibilities extends beyond supervising.

2.c.Anticipated Monetization Cost Recovery Calculation and Estimate

The Monetization Unit/CARE will calculate the cost recovery section for all the CSs.